

June 9, 2005

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

RE: Boston Edison Company and Cambridge Electric Light Company, d/b/a NSTAR Electric,  
D.T.E. 05-44 and D.T.E. 05-45.

Dear Secretary Cottrell:

On May 24, 2005, NSTAR Electric submitted for approval by the Department of Telecommunications and Energy (the "Department") tariff filings to become effective July 1, 2005, for each of its electric companies, Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company (together, "the Companies"). The Companies' proposals implement the requirements of the Department's orders in D.T.E. 03-88A, B and C, and, in addition:

- (1) make changes to transition rates designed to eliminate over and under collections (Boston Edison and Cambridge);
- (2) adjust distribution rates to eliminate lost distribution revenues resulting from compliance with the statutory rate cap; and
- (3) implement several unexplained "rate design" changes.<sup>1</sup>

The Department's Order and the Settlement Agreement in D.T.E. 03-88 permit a distribution company to seek an interim change in default and distribution rates in order to remove default service costs from distribution rates. *Costs to be Included in Default Service*, D.T.E. 03-88A-F, p. 6 (2005), and Settlement Agreement, D.T.E. 03-88A-F, Sec. 2.7, pp. 5-6.

---

<sup>1</sup> See, e.g., Exhibit CAM-HCL-2, page 9 (proposal to change transmission demand from \$323.00 to \$58.00 per kVa for the first 100 kVa, and from \$6.18 to \$6.38 per kVa for demand above 100 kVa).

This transfer of predetermined costs would result in a relatively minor reduction in distribution rates and an almost equal off-setting increase in Basic Service rates. NSTAR's filing, however, goes beyond the rate adjustments contemplated by D.T.E. 03-88.

NSTAR proposes to:

- (1) increase Cambridge's transition charge from an average rate of 0.288 cents per kilowatthour ("KWH") to an average rate of 1.332 cents per KWH (an increase of 1.044 cents per KWH or 362.5 percent) in order to avoid undercollecting transition costs by a projected \$22.2 million at the end of 2005;
- (2) reduce Cambridge's distribution rates for all rate classes by an average rate of 0.017 cents per KWH in order to implement a settlement approved by the Department in Default Service Costs, D.T.E. 03-88 (2005);
- (3) increase Cambridge's distribution rates for rate classes R-2, R-4, R-5, R-6, and G-4 in order to eliminate the reductions implemented to meet the Restructuring Act's rate cap requirements, which expired on February 28, 2005.
- (4) reduce Boston Edison's transition charge from an average rate of 2.335 cents per kilowatthour ("KWH") to an average rate of 1.634 cents per KWH (a reduction of 0.701 cents per KWH or 30.0 percent) in order to avoid overcollecting transition costs by a projected \$69 million at the end of 2005;
- (5) reduce Boston Edison's distribution rates for all rate classes by an average rate of 0.047 cents per KWH in order to implement a settlement approved by the Department in Default Service Costs, D.T.E. 03-88 (2005); and
- (6) increase Boston Edison's distribution rates for rate classes R-2, R-4, G-1, and T-1 in order to eliminate the reductions implemented to meet the Restructuring Act's rate cap requirements, which expired on February 28, 2005.

NSTAR maintains that it is now free to implement rate adjustments since "rate-cap restrictions ended on February 28, 2005 with the expiration of Standard Offer Service." Companies' May 24, 2005 letter to Secretary Cottrell, p. 2. The appropriate time for the Companies to file proposed adjustments to their distribution rates, however, is in their annual reconciliation filings.<sup>2</sup> See *Cambridge Electric Light Company and Commonwealth Electric Company*, D.P.U./D.T.E. 97-111, pp. 73-74 (1998) and *Boston Edison Company*, D.P.U./D.T.E.

---

<sup>2</sup> The Companies were aware that the rate-cap restrictions were ending on February 28, 2005, but did not propose any adjustments in their annual reconciliation filings in 2005 to prevent the "rate shock" Cambridge claims will occur in 2006 if the rates are not adjusted now. See Companies' May 24, 2005 letter to Secretary Cottrell, p. 2.

96-23, Settlement, Section V.E. (1998). In their Restructuring Plans, the Companies requested, and the Department approved, adjusting the base transition charge at the end of every year to allow recovery or repayment of the amount in the reconciliation account. *Id.* Department precedent requires that these proposed adjustments be moderated.

There is no testimony in this proceeding to support the Companies' proposed adjustments. Furthermore, the adjustments do not address the potential benefits customers will realize in 2005 from the recent PPA buyouts/restructuring and securitization.<sup>3</sup> The time between the filing of the proposal and the effective date is insufficient to provide an opportunity to fully investigate the proposed adjustments.

In addition, by proposing these adjustments now, the Companies are placing an unnecessary administrative burden on the Department to decide issues that are more properly addressed during the full evidentiary hearing process of the Companies' annual reconciliation filings. The Companies' claims of over- and undercollections under the transition charge are only projections and the customers will not be harmed, or benefit, any more now than they would if the Department requires the Companies to reconcile these projections at the time of their 2005 annual reconciliation filings.

For these reasons, the Department should reject the proposed changes and require the Companies to re-file tariffs that comply only with the requirements of D.T.E. 03-88. In the alternative, the Department should suspend the tariffs and open an investigation that more thoroughly examines the proposed adjustments.

Sincerely,

Colleen McConnell  
Assistant Attorney General

cc: Shaela Collins, Hearing Officer  
Robert N. Werlin, Esq.

---

<sup>3</sup> The Companies have presented no evidence that they have met the statutory requirement to mitigate to the maximum extent possible the total amount of transition costs recovered and to minimize the impact of recovery of transition costs on ratepayers. G.L. c. 164, §1G(d).